

**YOUTH EMPOWERMENT
PROJECT**

FINANCIAL REPORT

JUNE 30, 2014

YOUTH EMPOWERMENT PROJECT

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Reginald A. Bresette, III
Limited Liability Company

Reginald A. Bresette, III, CPA

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Youth Empowerment Project
New Orleans, Louisiana

Report on the Financial Statement

I have audited the accompanying financial statements of Youth Empowerment Project (a non-profit organization) (the Organization) which comprise the statements of financial position as of June 30, 2014 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Empowerment Project as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 12, 2014 on my consideration of Youth Empowerment Project internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Youth Empowerment Project's internal control over financial reporting and compliance.



Reginald A. Bresette III, LLC
Certified Public Accountant
December 12, 2014

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 589,557
Employee advances	2,045
Unconditional promises to give (Note 3)	1,899,404
Reimbursement receivable (Note 4)	191,664
Inventory	11,540
Prepaid expenses	<u>31,812</u>

Total current assets	2,726,022
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Assets restricted to investment in property,

Furniture, and equipment (Note 5)

Cost less accumulated depreciation

Security deposit

1,243,856

4,997

Total assets

\$ 3,974,875

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 57,022
Payroll taxes payable	27,613
Mortgage line of credit (Note 6)	100,000
Mortgage payable	<u>18,843</u>

Total current liabilities	203,478
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Mortgage payable, net of current maturities (Note 7)

581,157

Total liabilities

784,635

Unrestricted net assets

738,665

Temporarily restricted net assets (Note 9)

2,451,575

Total net assets

3,190,240

Total liabilities and net assets

\$ 3,974,875

The accompanying notes are an integral part of these financial statements.

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, revenues and reclassifications			
Public support:			
Grant - Federal Government		\$ 680,000	\$ 680,000
Grants - Other	\$ 882,020	2,134,568	3,016,588
Contributions	182,447		182,447
Total public support	<u>1,064,467</u>	<u>2,814,568</u>	<u>3,879,035</u>
Revenues			
Program Service Revenue	<u>23,076</u>		<u>23,076</u>
Reclassifications:			
Net assets released from restrictions due to satisfaction of time and purpose restrictions	<u>1,681,867</u>	<u>(1,681,867)</u>	
Total reclassifications	<u>1,681,867</u>	<u>(1,681,867)</u>	
Total support, revenues and reclassifications	<u>2,769,410</u>	<u>1,132,701</u>	<u>3,902,111</u>
Expenses			
Program services	<u>1,976,714</u>		<u>1,976,714</u>
Supporting services:			
Management and general	506,942		506,942
Fundraising	104,441		104,441
Total supporting services	<u>611,383</u>		<u>611,383</u>
Total expenses	<u>2,588,097</u>		<u>2,588,097</u>
CHANGES IN NET ASSETS	181,313	1,132,701	1,314,014
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>557,352</u>	<u>1,318,874</u>	<u>1,876,226</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 738,665</u>	<u>\$ 2,451,575</u>	<u>\$ 3,190,240</u>

The accompanying notes are an integral part of these financial statements.

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
Increase (decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from federal government	\$ 14,896
Cash received from public support	2,752,657
Cash received from program services	23,076
Cash payments for operating expenses	(854,928)
Cash payments for employee salaries and benefits	<u>(1,716,142)</u>
Net cash provided (used) by operating activities	<u>219,559</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment	(52,903)
Purchase of land, building and improvements	<u>(773,500)</u>
Net cash provided (used) by investing activities	<u>(826,403)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from mortgage line of credit	100,000
Proceeds from mortgage payable	<u>600,000</u>
Net cash provided (used) by investing activities	<u>700,000</u>
Net increase (decrease) in cash and cash equivalents	93,156
Cash and cash equivalents at beginning of year	<u>496,401</u>
Cash and cash equivalents at end of year	<u><u>\$ 589,557</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Change in net assets	<u>\$ 1,314,014</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	20,716
(Increase) decrease in unconditional promises to give	(1,031,273)
(Increase) decrease in receivables	(80,207)
(Increase) decrease in employee advances	(2,045)
(Increase) decrease in prepaid expenses	(29,317)
(Increase) decrease in inventory	(11,540)
(Increase) decrease in security deposits	(1,300)
Increase (decrease) in accounts payable	30,432
Increase (decrease) in payroll taxes payable	<u>10,079</u>
Total adjustments	<u>(1,094,455)</u>
Net cash provided (used) by operating activities	<u><u>\$ 219,559</u></u>
Supplemental Information	
Interest expense	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL EXPENSE
		MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	
Salaries	\$ 1,184,392	\$ 213,080	\$ 68,187	\$ 281,267	\$ 1,465,659
Benefits	210,557	37,881	12,122	50,003	260,560
Accounting	3,500	53,393		53,393	56,893
Client Expense	178,343	3,695		3,695	182,038
Computers & Maintenance	41,173	11,527		11,527	52,700
Consultants	66,456	25,244	14,334	39,578	106,034
Counseling Sessions	5,765				5,765
Depreciation	10,159	10,557		10,557	20,716
General Insurance	16,822	6,096		6,096	22,918
Miscellaneous	16,719	14,578	299	14,877	31,596
Office Expense	43,745	31,074	22	31,096	74,841
Postage	294	2,487		2,487	2,781
Printing and Duplication	9,835	2,000	6,752	8,752	18,587
Rent (Note 8)	35,722	27,467		27,467	63,189
Support Services	71,671	13,511	2,725	16,236	87,907
Telephone	1,189	36,218		36,218	37,407
Training	13,841	8,553		8,553	22,394
Travel	48,223	3,979		3,979	52,202
Utilities	18,308	5,602		5,602	23,910
Total	<u>\$ 1,976,714</u>	<u>\$ 506,942</u>	<u>\$ 104,441</u>	<u>\$ 611,383</u>	<u>\$ 2,588,097</u>

The accompanying notes are an integral part of these statements.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – NATURE OF ACTIVITIES

Youth Empowerment Project's History and Mission

The Youth Empowerment Project (YEP) was founded in 2004, and since its inception has been at the cutting edge of providing innovative, comprehensive and high quality services for at-risk New Orleans youth. YEP's flagship program, the Community Reintegration Program, was the first program in the state to provide wrap-around re-entry supports to help youth who had been involved with the juvenile justice system to build healthy lives, steer clear of the justice system, and remain safe. Over the past 10 years, YEP has significantly expanded its programming and now the majority of youth served across YEP's eight programs are not court involved. In YEP's first year of operation, it had one program, served 25 youth and had an annual budget of \$235,000. In 2014, the organization manages an annual budget of over \$3 million and serves over 1,000 youth through its array of mentoring, recreation, educational, and employment programs that are operated out of seven service locations in the Greater New Orleans region.

The mission of the Youth Empowerment Project is: "By providing intensive case management, mentoring and educational services to at-risk New Orleans youth, we will strengthen each young person's capacity to successfully connect with his or her family and community and lay the foundation for a healthy transition to adulthood."

The Need for YEP's Services

The youth that YEP services are some of the most at-risk in the country. Across all of YEP's programs, 95 percent of youth served are African American and at least 70 percent of participants in our Afterschool and Summer Camp programs qualify for Free or Reduced Lunch, and 90 percent live in the Central City area of New Orleans. Central City is one of the most violent, poverty stricken and under-served areas in the nation. Central City has a poverty rate of over 42 percent and homicide and violent crime rates are more than twice that of New Orleans as a whole. The average life expectancy of individuals living in Central City is 25 years less than that of individuals living in the most affluent neighborhoods in New Orleans – with homicide and poor health outcomes being the primary contributors to this harrowing statistic. According to an external evaluation of youth engaged in our Community Based Mentoring program, 75 percent of youth had already been exposed to extensive violence and/or witnessed a shooting. Further, exactly half of the youth in the CBM program have an immediate male family member (father or brother) incarcerated and 25 percent of CBM program youth has had either their father or a brother murdered. Seventy-seven percent of students in our adult education programs, New Orleans Providing Literacy to All Youth (NOPLAY) and the Village reported being unemployed at intake, and more than 50 percent of students had been, or currently were involved in the criminal justice system. Further, the average NOPLAY student enters the program reading at a sixth grade level. Finally, according to a 2012 evaluation of our NOPLAY program, almost half (41 percent) of students surveyed said they were "stressed out" most of the time and 40 percent said they were often depressed.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Youth Empowerment Project Programs

The Youth Empowerment Project anticipates serving over 1,000 youth annually through our eight programs, which are detailed below:

Youth Center-Based Programming

- The Summer Camp is free to youth ages 7 to 15. Campers participate in a wide array of group activities such as field trips, swimming lessons, and arts and crafts projects over a six-week period.
- The Afterschool Enrichment Program provides Central City youth ages 7 to 15 with academic support, group activities, field trips, assistance with basic needs, and individualized mentoring during the academic school year (September – May).

Educational Programming

- NOPLAY (New Orleans Providing Literacy to All Youth) Program, founded in 2006, is the Youth Empowerment Project's main educational program and specializes in providing GED/high school equivalency and literacy services to out-of-school youth. NOPLAY is an open-enrollment program that operates on a year-round basis.
- The Village Program, established in 2009, is a self-contained, structured class at NOPLAY that provides youth ages 16 to 21 with engaging and innovative instruction five days a week. In addition to educational help, the Village provides youth with intensive wrap-around case management, mentoring and supportive services. The Village program follows the standard academic year, offering fall and spring co-horts.

Case Management Programming

- The Community Reintegration Program was Louisiana's first juvenile reintegration program when it was founded in 2004, and remains the only such program in the New Orleans area. It provides intensive individualized mentoring, case management and supportive services to youth, who are also invited to participate in YEP's other programs. The Community Reintegration Program operates on a year-round basis.
- The Community Based Mentoring (CBM) Program was created in 2008 in order to meet the needs of the larger community and reach youth early enough to prevent involvement in the juvenile justice system. CBM targets boys and young men ages 8 to 16 who are not court-involved but are at-risk for delinquent behavior. Youth receive intensive mentoring and wrap-around services. The CBM program operates on a year-round basis, and youth receive services a minimum of three to five times a week.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

- Youth Futures Initiative (YFI) is the newest wrap around case management and youth advocacy program of the Youth Empowerment Project. Through a federal grant operated by the Vera Institute of Justice, the YFI program offers intensive case management and mentoring services to youth who have had involvement in the juvenile justice system. YFI operates on a year-round

basis, with you receiving services a minimum of three times a week. Youth are enrolled in YFI for a nine-month period.

Workforce Training Programming

- The Trafigura Work & Learn (W&L) Center is modeled after the highly successful W&L Center operated by Domus Kids in Stamford, CT, and is the second in the United States funded through the Trafigura Foundation. The W&L Center is a youth employment program where youth earn a stipend while working alongside YEP staff, gaining vital hard and soft skills that help them get and keep jobs. The Work & Learn Center operates four 12-week cycles during the year, with each cycle running two days a week for a total of four hours.

Overview of YEP's Services

Through its eight programs, YEP provides New Orleans youth between the ages of 7 and 24, along with their families, with an array of age-appropriate services that include:

- High school equivalency and literacy instruction
- Assistance with transitioning into post-secondary education and employment opportunities
- Job readiness training
- Afterschool enrichment
- Academic support and tutoring
- Summer programming; mentoring
- Intensive and individualized case management services
- Assistance with basic needs
- Family and individual mental health counseling
- In-house substance abuse education groups
- Anger management and violence prevention groups
- Youth mentors and advocates
- Transportation services for clients and families
- Cultural/educational activities and field trips

YEP's Partners

Although there remains a dire shortage of quality programming in our community that addresses the diverse and vast needs of many high-risk youth, there are many strong non-profit organizations that work to serve this population. The Youth Empowerment Project works closely with an array of these community organizations to best support vulnerable, out-of-school and court-involved New Orleans youth. Some of YEP's key partners include:

YOUTH EMPOWERMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

- Liberty's Kitchen –a youth serving organization that provides culinary arts skill training and job placements to youth.
- Café Reconcile – a youth serving organization that provides culinary arts skill training and job placements to youth. YEP also provides in-kind high school equivalency services to youth engaged in their programming.
- Covenant House – a youth serving organization that provides temporary and emergency housing services to youth.
- Raintree Family Services- a youth serving organization that provides curriculum for groups that address anger management and self-esteem
- Institute for Women and Ethnic Studies- a youth serving organization that provides male and female empowerment and sexual health classes for youth.
- Challenging Horizons Program-Partners with YEP to implement the Challenging Horizons Program within YEP's Afterschool and Summer Camp programs.
- Louisiana Outdoors Outreach Program-New Orleans (LOOP-New Orleans)-provides educational recreation activities to youth across YEP's programs.
- BreakOUT – a local advocacy organization that provides training to YEP staff and youth regarding LGBTQ youth. Additionally, YEP provides in-kind high school equivalency classes to LGBTQ youth engaged in BreakOUT's programming.
- NOAIDS Task Force – a local public health organization that provides sexual transmitted disease and HIV education and testing to youth.
- NORDC-provides weekly swimming lessons for Summer Camp participants.
- Local artist Lionel Milton – provides weekly art lessons for Summer Camp participants.
- Volunteers of America's Fresh Food Factor – provides healthy meals and snacks to Afterschool and Summer Camp participants
- 29th Judicial District – provides funding for, and refers youth into, YEP's Community Based Prevention program
- Louisiana Office of Juvenile Justice-refers youth to YEP for our Community Reintegration Program, and supports our efforts through a fee-for-service contract
- Urban Strategies-supports fee-for-services contracts that provide high school equivalency and mentorship services

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Company have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – The Company reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that may or will be met by actions of YEP. These restrictions are considered to expire when payments for restricted purposes are met.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather invested to provide a permanent source of income for YEP.

Uncertain Tax Positions - YEP recognizes the financial impact of a tax position when it is more likely than not that the position will be sustained upon examination. As of June 30, 2014, YEP did not have any uncertain tax positions. Tax years ended June 30, 2011 and later remain subject to examination by taxing authorities.

Subsequent Events - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through December 12, 2014, which is the date the financial statements were available to be issued.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Cash and Cash equivalents - For purposes of the statement of cash flows, YEP considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

YEP maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. YEP has not experienced any losses in such accounts. YEP believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fixed assets - All expenditures for leasehold improvements and equipment are capitalized.

Depreciation on property and improvements is provided by using the straight-line method over the estimated life of 31.5 years. Depreciation on equipment is provided by using the straight-line and the declining-balance method over the estimated useful lives of 5 to 7 years.

Income taxes - YEP is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE:

During the year YEP entered into contracts representing unconditional promises to give as follows:

Various grant agreements were established during the year in which \$2,776,279 has been awarded. At June 30, 2014 funds of \$876,875 have been received.

In summary, unconditional promises to give at June 30, 2014 and expected to be collected in the future total \$1,899,404.

NOTE 4 – REIMBURSEMENTS RECEIVABLE

YEP has incurred expenses related to providing services to court-involved, at-risk, and out of school youths at June 30, 2014, in excess of contract fees for services received at that date. A receivable has been recorded on these cases for the excess expenses as follows:

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Vera Institute of Justice	\$39,434
Louisiana Community and Technical	28,981
New Orleans P & J Foundation	4,981
Louisiana Office of Youth Development	28,517
New Orleans Criminal District Court	15,156
Urban Strategies	<u>74,595</u>
	<u>\$191,664</u>

NOTE 5 – PROPERTY FURNITURE AND EQUIPMENT

Property, furniture and equipment consisted of the following at June 30, 2014.

Building	\$ 1,057,195
Land	114,305
Improvements	23,583
Furniture and Equipment	102,297
Less: accumulated depreciation	<u>(53,524)</u>
Net book value	<u>\$ 1,243,856</u>

Depreciation expense for the year ended June 30, 2014 was \$20,716.

NOTE 6 – MORTGAGE LINE OF CREDIT

YEP has a mortgage line of credit which provides short-term borrowings up to \$300,000. Interest on advances is payable monthly at the Wall Street prime rate plus 1.5%. The outstanding balance is \$100,000 as of June 30, 2014. The note is secured by property and improvements on the building located at 1529 Oretha Castle Haley Blvd.

NOTE 7 – MORTGAGE PAYABLE

YEP is the maker of a mortgage note payable in the original amount of \$600,000 at 4.49% per annum interest fixed for seven years with a twenty year amortization. The mortgage is to be paid in equal monthly installments of \$3,814, which includes principal and interest. The note is secured by a first mortgage on the land and building located at 1604 Oretha Castle Haley Blvd. As of June 30, 2014, the principal balance of the note is \$600,000 of which \$18,843 is due within the next twelve months. As of June 30, 2014, the note is in current condition.

Maturities of the mortgage payable for each of the next seven years are as follows:

2014 – 2015	\$18,843
2015 – 2016	19,647
2016 – 2017	20,632
2017 – 2018	21,591
2018 – 2019	22,595
2019 – 2020	23,584
2020 – 2021	<u>473,108</u>
	<u>\$600,000</u>

NOTE 8 – LEASE COMMITMENTS

YEP leased office space for their main administration office at 1604 Oretha Castle Haley Blvd. in New Orleans, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2014. This office space was purchased by YEP on June 30, 2014.

Rent expense incurred under this lease was \$29,964 for the year ended June 30, 2014.

YEP also leased a satellite office for employee access in Luling, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2014. The lease expires December 2014. Future minimum lease payments at June 30, 2014 are \$3,000.

Rent expense incurred under this lease was \$6,000 for the year ended June 30, 2014.

YEP also leased an additional office space for the Work and Learn Program at 2018 Oretha Castle Haley Blvd. in New Orleans, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2014. The lease expires December 2014. Future minimum lease payments at June 30, 2014 are \$7,200.

Rent expense incurred under this lease was \$14,400 for the year ended June 30, 2014.

YEP also leased an additional office space at 2020 Oretha Castle Haley Blvd. in New Orleans, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2014. The lease expires December 2014. Future minimum lease payments at June 30, 2014 are \$7,200.

Rent expense incurred under this lease was \$12,000 for the year ended June 30, 2014.

NOTE 9- TEMPORARY RESTRICTIONS ON ASSETS:

Temporarily restricted net assets are restricted by donors for specific purposes or designated for subsequent periods. At June 30, 2014, temporarily restricted net assets are available for the following purposes:

Trafigura Foundation	\$460,288
Ann and Robert S. Boh Family Fund	38,602
Baptist Community Ministries	112,033
Capital One Services	2,646
Emeril Lagasse Foundation	10,000
JP Morgan Chase	13,376
New Orleans College Prep	132,781
Rosa Mary Foundation	1,751
Tides Foundation	350,000
Vera Institute of Justice	635,491
WK Kellogg Foundation	650,466
City of New Orleans (Wisner)	<u>44,141</u>
Total temporarily restricted funds – June 30, 2014	<u>\$2,451,575</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

29 th Judicial District	\$25,000
Ann and Robert S. Boh Family	66,398
AT&T Foundation	29,583
Baptist Community Ministries	62,840
Capital One Bank	5,354
City of New Orleans	45,860
City of New Orleans	5,355
Emeril Lagasse Foundation	20,000
Entergy Charitable Foundation	2,083
Fore! Kids Foundation	15,625
GPOA	12,500
Harrah's	667
Highland Street Foundation	4,167
Iberia Bank	30,000
Institute of Mental Hygiene	18,333
JP Morgan Chase	128,291
Lang Family Foundation	6,000
New Orleans College Prep	114,399
Open Society Institute	125,000
Peyback Foundation	5,000
Rosa Mary Foundation	13,249
Share Our Strength	1,000
Stub Hub	12,500
The Greater New Orleans Foundation	82,243
Tides Foundation	180,000
Trafigura Foundation	243,878
Vera Institute of Justice	44,509

W.K. Kellogg Foundation	294,533
Youth Justice Funding	35,000
Zemurray Foundation	<u>52,500</u>

Total net assets released – 2013 – 2014	<u>\$ 1,681,867</u>
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NOTE 10 – FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supported services benefited.

NOTE 11 – CREDIT RISK CONCENTRATION AND MAJOR FUNDING SOURCES

YEP receives grants and contracts for services from the public and foundations which comprises the majority of its revenue.

YEP maintains its cash equivalents in financial institutions in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On June 30, 2014 YEP had cash balances in excess of FDIC insured limits. The cash balances, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 12 – LITIGATION AND CLAIMS:

There is no pending litigation against YEP at June 30, 2014. Furthermore, the management of YEP believes that any potential lawsuits would be adequately covered by insurance.

NOTE 13 – BOARD OF DIRECTORS' COMPENSATION:

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

SPECIAL REPORTS OF INDEPENDENT AUDITOR

Reginald A. Bresette, III
Limited Liability Company

Reginald A. Bresette, III, CPA

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors,
Youth Empowerment Project
New Orleans, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Youth Empowerment Project (the Company)(a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-1 and 2014-2.

The Company's Response to Findings

The Company's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Company's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read 'Reginald A. Bresette, III', written in a cursive style.

Reginald A. Bresette, III LLC
Certified Public Accountant

December 12, 2014

SCHEDULE OF FINDINGS AND REPONSES

For the Year Ended June 30, 2014

I have audited the financial statements of Youth Empowerment Project (the Company) (YEP) as of and for the year ended June 30, 2014, and have issued our report thereon dated December 12, 2014. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. My audit of the financial statements as of June 30, 2014, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses – None

Significant Deficiencies – Yes

Compliance

Compliance Material to Financial Statements – No

Compliance Immaterial to Financial Statements – Yes

2014-1 Findings: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Company's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct

all the deficiencies an auditor reports. In this case I do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: We concur with the audit finding.

2014-2 Findings: Our examination disclosed there is lack of segregation of duties within the company. This weakness is due to the fact that the company has a very small staff. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the company has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. I recommend that the organizations's finance committee and executive director continue to closely monitor all records and transactions.

Managements Response: The company's executive director and board concur with the recommendation.

b. Federal Awards

Internal Control

Material Weaknesses – None

Reportable Conditions – None

Compliance

Compliance Material to Financial statements - No

Compliance Immaterial to Financial statements - No

Section II Financial Statement Findings

There were no financial statement findings during the fiscal year ended June 30, 2014.

Section III Federal Award Findings and Questioned Costs

None.

SPECIAL REPORTS OF MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2014

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Internal Control

Material Weaknesses – None

Responses – None

Compliance

Compliance Material to Financial Statements – No

Compliance Immaterial to Financial Statements – Yes

2013-1 Findings: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Company's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recently issued Statement on Auditing Standards (SAS) requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: We concur with the audit finding.

SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

For the Year Ended June 30, 2014

2013-2 Findings: Our examination disclosed there is lack of segregation of duties within the company. This weakness is due to the fact that the company has a very small staff. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the company has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend that the organization's finance committee and executive director continue to closely monitor all records and transactions.

Managements Response: The Company's executive director and board concur with the recommendation.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

In regards to federal awards, YEP had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter issued for the audit year ended June 30, 2013.

MANAGEMENT CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2014

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

YEP had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the financial statements.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

In regards to federal awards, YEP had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter issued for the audit year ended June 30, 2013.